



Louisiana Insurance UPDATE



James H. "Jim" Brown
Commissioner of Insurance

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INSIDE

**Licensing works
with NAIC p. 3**

**New Guide shows
declining rates p.4**

**\$1.5 million in fines
collected p.4**

**From Agent
Licensing p. 5**

**From Company
Licensing p. 6**



NEW BUILDING - The proposed new building to house the Department of Insurance, represented above by a computer generated image, is in the design stages. The present obsolete building, erected in 1974, has several defects and does not meet the state fire code. The new building, which is being designed by Bani, Carville & Brown Architects, Inc., will be located near the Court of Appeal building in Baton Rouge just north of the State Capitol building. The estimated date for completion of the new building is 2002.

Strict enforcement of building codes will limit damage, injury in disasters

Insurance Commissioner Jim Brown said that establishment and strict policing of building codes throughout Louisiana would mean less property damage and fewer injuries from hurricanes and other natural disasters. He told the Louisiana Insurance Rating Commission, in a special meeting, the result of such enforcement would be lower property insurance rates.

"Fewer losses will translate to lower insurance premiums for property coverage," said Commissioner Brown, chairman of the Louisiana Property Insurance Task Force, which issued a report spelling out the details.

"It is obvious that building structures to better withstand hurricanes, tornadoes, hailstorms and floods can save lives, prevent injuries, protect property owners from the cost of repairing or replacing damaged property, minimize wasteful and expensive shutdowns resulting from disaster-related damages, and minimize the need for government and private assistance," according to the report of the panel, composed of government, insurance industry and consumer representatives.

"It is perhaps less obvious that reducing these damages is one of the most certain and

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Commissioner Brown discusses the report issued by the Property Insurance Task Force.

effective ways to make homeowners and property insurance available and affordable over the long term,” the report said.

The needs addressed by the report had been raised earlier by the Federal Emergency Management Agency (FEMA) in a proposed 15-year plan to promote disaster loss reduction measures. Building code design and enforcement is basic to disaster mitigation, the report noted.

The Louisiana report cited a Florida study by the Governor’s Building Codes Study Commission which concluded that 40 percent of the total damage from Hurricane Andrew could be directly attributed to failure to comply with building codes. It also cited a finding of FEMA which said that, following Hurricane Opal in 1995, the agency found that no structures in the Florida panhandle which met Florida’s storm mitigation code

were substantially damaged. At the same time, 55 percent of the structures that were not built to code were substantially damaged.

The additional cost of building structures in areas where building codes are strictly enforced is minimal, and can be as low as one to two percent, the report said. The report also proposes financial incentives in the form of credits against premiums in a range from 1 percent to 15 percent, in a program checking building code enforcement. The proposal cites a similar program for insurance reductions based on fire district ratings already in place in Louisiana.

What was not recommended

What the panel did not recommend is equally significant. The Task Force, created by the Legislature to study the state’s property insurance problems, was asked to look into the feasibility of creating a state-backed corporation to offer property insurance. The Task Force report concluded that it was better to improve conditions through existing mechanisms, rather than start a state sponsored corporation or state fund to address the problem of affordability and availability of property insurance.

Almost a decade ago, the state sponsored Workers’ Compensation Corporation was created to address the problem of availability and affordability of workers’ compensation insurance in the state, an experiment that was a great success. In that case, LWCC took over the so-called residual market; i.e., the risky business that private insurers were unwilling to cover on the voluntary market. Since the creation of LWCC in 1991, the workers’ compensation voluntary market has rebounded, and premiums have fallen.

“Government has its place and can make a difference, but creation of another government program of great magnitude should be a last resort when no other method will work,” said Commissioner Brown, concurring with the report’s conclusion.

“A major concern is whether or not the private sector could handle the losses of a major disaster that inflicted damages in the magnitude of \$4 billion to \$10 billion,” said Commissioner Brown. “The private sector would have to be able to meet claims at those levels, all within a framework of the availability of affordable policies to consumers,” he said.

The Task Force reported that there were a number of proposals, including those on the federal level, that would give insurers access to increased capital to be set aside in reserves in case of disasters. Those proposals include tax benefits granted to insurers for money put in reserve.

“Government has its place and can make a difference, but . . . should be a last resort . . .”

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A “disturbing trend”

The report noted that high-risk pool plans making property insurance available in areas private insurers consider too risky are generally working well. But the report raised some concerns that there is a trend, which if it continues, might mean that the high-risk pools are supplanting too much of the private market.

The “disturbing trend,” according to the Task Force, is the increased dependence on the FAIR and Coastal plans. “An ever growing number of properties, once considered insurable in the voluntary market, are being forced into the FAIR/Coastal Plans,” the report said. It noted that in 1990 the plans insured less than 1 percent of the market. That proportion has grown to 3.4 percent through 1997. “If the FAIR/Coastal Plan market share continues to grow in 1999 as it has in past months, these plans will need to be closely scrutinized by regulators and industry to prevent the market from reaching ‘critical’ or ‘meltdown’ stages,” the report said.

The FAIR Plan and the Coastal Plan are high-risk pools provided by cooperative efforts of the insurance industry. Both plans offer property insurance coverage similar to that offered on

the voluntary market by private insurance companies. The cost of the two plans is borne by all insurers writing property insurance in the state through an assessment on each company as spelled out in the state law creating the pool.

The FAIR plan is aimed at providing property insurance in inland areas, including inner cities. As the name implies, the Coastal Plan provides similar coverage for coastal Louisiana.

Setting Coastal and FAIR plan rates and deductibles at levels that do not encourage their use over the private market and that reflect the future exposure of the plans will ensure that the plans continue to perform a vital safety net function without discouraging maximum private market participation.

“We find the market for the most, part adequate to the needs of the citizens of the state at this time I but have made recommendations that, if followed, should strengthen the market and prepare the state and its most exposed areas for a major catastrophic event,” said the report.

“An ever growing number of properties, once considered insurable in the voluntary market, are being forced into the Fair/Coastal Plans.”

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Licensing Division works with NAIC

In an effort to improve the entire licensing process, the Department of Insurance has been working closely with the NAIC on two important technology initiatives, the Producer Database and the Producer Information Network. The NAIC’s PIN Working Group, of which Louisiana is a member, has been charged with developing a system to electronically connect industry and government to streamline the licensing process.

The Producer Database (PDB) is a central storehouse of producer licensing information from all participating states. Using the PDB, current and historical information can be found at the click of a button, including producer names, addresses, license numbers, license status, authorized lines, appointments and terminations. The PDB also links to other external databases such as the NAIC’s Regulatory Information Retrieval System (RIRS) database, which maintains final regulatory actions against individuals and firms.

The Producer Information Network (PIN) is an electronic communication network that will link state insurance regulators with insurance companies in order to facilitate the electronic submission of licensing applications, appointments and terminations. With this system, company appointments and terminations can be electronically submitted to the Department of Insurance and processed overnight with confirmation returned electronically to the insurer the very next day.

New Rate Comparison Guide shows premiums are coming down in Louisiana

The new *1999 Auto/Home Rate Comparison Guide* shows that rates in Louisiana are coming down.

Commissioner Brown said a quick scan of rates in the latest guide and the previous year's rate guide shows that rates are declining. "This guide is a valuable tool consumers can use in shopping for insurance for their car or home," said Commissioner Brown. The current guide lists six-month premiums (and last year's guide has annual premiums) but taking into account the difference, there is a definite trend towards lower rates. "What this means is that some of the efforts we have made to bring rates down such as the 'no pay, no play' law and impoundment of uninsured vehicles are getting results when it comes to rates," said Commissioner Brown.

The automobile examples in the 1999 *Guide* include a 30-year-old married male, a 25-year-old single female, an 18-year-old single male, and a 65-year-old married male, with varying insurance driving records. Homeowners examples are for a frame construction and brick construction home of varying costs.

The rates are provided to give some idea of the price range that is available, not to give a specific rate, Brown said.

It is important that consumers remember that this guide should not be the only source used to make a decision about home or auto insurance, Brown said.

Once consumers find a policy that interests them, they should check out the company by calling the Department of Insurance.

"We can let them know how long a company has been in business, the company's financial stability and the complaint history of the company and the agent," said Brown. Another thing to remember when buying property insurance is that those policies, such as homeowners coverage, do not cover flooding. Typical homeowners policies cover wind, rain and hail damage. Separate flood insurance coverage, subsidized by the federal government, is available from local agents or the National Flood Insurance Program.

Single copies of the *1999 Auto/Home Rate Comparison Guide* are free and can be requested by calling the Department's toll-free number, or accessed on the Department of Insurance web site, along with several other consumer publications.

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\$1.5 million in fines collected in 1998

The Department of Insurance collected \$1,543,794 in fines and penalties for the 1998 calendar year. The largest fine was \$366,946, collected from American Bankers Insurance Group of Miami, Fla., as part of a national \$15 million settlement involving numerous violations of the insurance code, including the use of unlicensed sales people and deceptive sales practices.

Northwest Mortgage, Inc., of Des Moines, Iowa, paid a \$15,000 fine for selling title insurance in Louisiana without a Certificate of Authority. Globe Life and Accident Insurance Company, based in Oklahoma City, Oklahoma, was fined \$10,000 for alleged misleading advertising.

"As these collection figures show, the Department is serious about enforcing the insurance code and the rules and regulations promulgated by this Department," Brown said. "By taking swift action at the first sign of misconduct, we can avoid the large problems down the road," he said.

Industry survey shows Y2K readiness

Insurance Commissioner Jim Brown said surveys of the Louisiana insurance industry show most companies are well prepared in regard to Y2K when it comes to their computer software and hardware. "However, what we are finding is that there is a lack of preparedness on the part of some companies when it comes to external sources that affect their operations, such as electricity and communications," he said.

"All of our companies have been working hard on their Y2K compliance for the past three years at least. The first concern of most companies is their software, and once they decide it is Y2K compliant, they start worrying about their service bureaus and business partners. But very few are doing a good job when it comes to contingency plans for external disasters," said Commissioner Brown. "We are, however, very optimistic that we are not going to have major problems with Y2K."

Bulletin issued on use of computer models

A bulletin is being issued by the Louisiana Insurance Rating Commission advising insurers on the use of computer modeling in rate filings.

In an effort to facilitate the use of computer models and to expedite the review of rate filings, the Louisiana Insurance Rating Commission has

Computer Models, cont.

issued Bulletin 99-02.

"Basically we are recognizing that computer modeling is a tool that can be valuable in determining an insurer's coastal exposure, and the bulletin outlines the guidelines for its use," said Commissioner Brown, chairman of the Rating Commission. "The guidelines help ensure that we have sufficient information in the rate making process," he said.

Agent Licensing database to go online

The Department of Insurance has been moving toward making the Department's licensing database available online free of charge. This will allow the public to access a listing of all agents licensed in the state. The industry menu will provide the effective date of each license held by a licensee and identify companies with which the agent holds active appointments. All actions taken against licensees by the Department will also be available online.

Department issues C.A.I.R.E. Report

The 1998-99 Council on Automobile Insurance Rates and Enforcement annual report, *Reducing Insurance Costs in Louisiana: Enforcement is the Key*, is now available.

Among the items addressed in the report are the high numbers of

C.A.I.R.E. Report, cont.

uninsured motorists and drunk drivers in Louisiana, the lack of seatbelt usage, increased insurance fraud and auto theft, and the increasing number of large trucks on the state's highways.

The Louisiana Legislature created the Council on Automobile Insurance Rates and Enforcement (C.A.I.R.E.) in 1997 to study and provide oversight and make recommendations aimed at enforcement of laws and programs affecting automobile insurance rates.

Complaint brochure on the Web

A free brochure, *How to File an Insurance Complaint*, is now available from the Department and on the web page. It gives an easy-to-understand explanation of how to file a complaint. It also outlines what the Department can and cannot do to help resolve conflicts between individuals and the insurance industry.

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World Wide Web

<http://wwwldi.lidi.state.la.us>

Name/Domicile Change

Chrysler Life Insurance Company changed its name to Forethought Life Assurance Company and redomesticated the company from Michigan to Indiana. Dated 4/21/99.

Industrial Indemnity Company changed its name to Fremont Industrial Indemnity Company. Dated 4/21/99.

ManagedComp National Insurance Company changed its name to Advantage Workers Compensation Insurance Company. Dated 4/21/99.

UNICARE Insurance Company changed its name to UNICARE Workers' Compensation Insurance Company. Dated 4/21/99.

Metlife Security Insurance Company of Louisiana from Baton Rouge to Metairie. Dated 3/31/99.

G & W Life Insurance Company to First AmTenn Life Insurance Company. Dated 3/31/99.

Guidant Life Insurance Company to GuideOne Life Insurance Company. Dated 3/31/99.

Guidant Mutual Insurance Company to GuideOne Mutual Insurance Company. Dated 3/22/99.

Guidant Specialty Mutual Insurance Company to GuideOne Specialty Mutual Insurance Company. Dated 3/22/99.

Trans-General Life Insurance Company to Highmark Life Insurance Company. Dated 4/1/99.

American Foundation Life Insurance Company to Protective Life and Annuity Insurance Company. Dated 3/2/99.

Southeast Medical Alliance to SMA Health Plan, Inc. Dated 3/1/99.

Community National Assurance Company to Phoenix National Insurance Company. Dated 2/18/99.

Independent Life Insurance Company to Direct Life Insurance Company and changing the city of domicile from Atlanta, Fulton County to Marietta, Georgia. Dated 2/18/99.

LHIW Insurance Company to Reliant Insurance Company. Dated 2/18/99.

The Reciprocal Exchange to Garrison Property and Casualty Association. Dated 2/18/99.

Business Insurance Company to Centre Insurance Company. Dated 1/28/99.

The Life Insurance Company of Virginia to GE Life and Annuity Assurance Company. Dated 1/28/99.

Skandia U.S. Insurance Company to Pennsylvania Casualty Company. Dated 1/28/99.

Nordstern Insurance Company of America to AXA Nordstern Art Insurance Corp. Dated 1/22/99.

Great American Reserve Insurance Company to Conesco Variable Insurance Company. Dated 1/14/98.

Health and Life Insurance Company of America from Rockford, IL to County of Cook, IL. Dated 1/11/99.

Life Insurance Company of Illinois to Ameribest Life Insurance Company. Domicile change from Riverwoods, IL to Springfield, IL. Dated 1/11/99.

National Group Life Insurance Company from Chicago, IL to County of Cook, IL. Dated 1/11/99.

Preferred Physicians Insurance Company to Preferred Professional Insurance Company. Dated 1/11/99.

Acquisition

Ceres Group, Inc., acquired control of Continental General Insurance Company. Dated 4/21/99.

Fremont Indemnity Company and Related Transactions acquired control of UNICARE Worker's Compensation Insurance Company (f/k/a/ UNICARE Insurance Company). Dated 4/22/99.

Atlantic Financial Company acquired control of Liberty Bankers Life Insurance Company. Dated 4/9/99.

Centre Solutions (US) Limited acquired control of Massachusetts Casualty Insurance Company. Dated 4/16/99.

Norwich Union Insurance Limited acquired control of London and Edinburgh Insurance Company, Ltd., an England insurer. Dated 3/25/99.

Marsh & McLennan Companies, Inc., a Delaware corporation, acquired control of Americas Insurance Company. Dated 3/19/99.

Superior National Insurance Group, Inc., acquired control of Commercial Compensation Insurance Company. Dated 3/9/99.

Financial American Life Insurance Company acquired control of Florists' Life Insurance Company. Dated 3/9/99.

Associates First Capital Corporation acquired control of Balboa Insurance Company. Dated 3/5/99.

Associates First Capital Corporation acquired control of Balboa Life Insurance Company. Dated 3/5/99.

Superior National Insurance Group, Inc., indirectly acquired control of Business Insurance Company as part of its plan to acquire Business Insurance Group, Inc., Delaware.

Superior National Insurance Group, Inc., acquired control of California Compensation Insurance Company. Dated 3/5/99.

Associates First Capital Corporation acquired control of Meritplan Insurance Company. Dated 3/5/99.

American International Group, Inc., acquired control of Anchor National Life Insurance Company. Dated 2/17/99.

American International Group, Inc., acquired control of SunAmerica Life Insurance Company. Dated 2/17/99.

American International Group, Inc., acquired control of SunAmerica National Life Insurance Company. Dated 2/17/99.

ACIC Holding Co. Inc. acquired control of Automobile Club Insurance Company. Dated 2/10/99. *continued on next page*

Groupama SA, acquired control of Gan North American Insurance Company. Dated 2/10/99.

Groupama SA, acquired control of Gan National Insurance Company. Dated 2/10/99.

Sun Life Assurance Company of Canada acquired control of Mercantile & General Life Assurance Company of America. Dated 2/1/99.

Mony Life Insurance Company acquired control of U.S. Financial Life Insurance Company. Dated 2/8/99.

Associates First Capital Corporation acquired control of American Equity Insurance Company. Dated 12/11/98.

Centre Solutions Holdings, Limited acquired control of Business Insurance Company. Dated 1/29/99.

Associates First Capital Corporation acquired control of Northland Casualty Company. Dated 12/3/98.

Associates First Capital Corporation acquired control of Northland Insurance Company. Dated 12/3/98.

PHICO Insurance Company, PHICO Group, Inc., and the Health Alliance of Pennsylvania acquired control of Skandia U.S. Insurance Company. Dated 1/29/99.

Associates First Capital Corporation acquired control of Washington International Insurance Company.

The Centris Group acquired control of Seaboard Life Insurance Company. Dated 1/21/99.

The Centris Group acquired control of VASA North Atlantic Insurance Company. Dated 1/21/99.

ING America Insurance Holdings, Inc., acquired control of Life Insurance Company of Illinois. Dated 1/11/99

Kingsway Financial Services Inc., acquired control of Lincoln General Insurance Company. Dated 1/6/99.

Agent for Service

Metlife Security Insurance Company of Louisiana – Registered agent from Jerry B. Willis & Katherine L. Decoteau, 9487 Brookline Avenue, Baton Rouge, LA 70809 to Bruce D. Burglass Jr. and Christopher K. Tankersley, Burglass & Associates, L.L.C., Two Lakeway Center, Suite 1240, 3850 North Causeway Boulevard, Metairie, LA 70002. Dated 4/16/99.

Louisiana Pest Control Insurance Company – Registered agent to Douglas R. MacPherson and Edward P. Rabalais, 3042 Old Forge Drive, Baton Rouge, LA 70898. Dated 1/26/99.

Amendment to Certificate of Authority

Continental National Indemnity Company amended to add burglary & forgery, glass, fire & extended coverage, steam boiler & sprinkler leakage, and flood insurance to the company's authority in Louisiana. Dated 4/23/99.

John Hancock Mutual Life Insurance Company amended to show the addition of variable life and variable annuity insurance to the company authority in Louisiana. Dated 1/11/99.

Merger

Lamar Life Insurance Company merged into Conesco Life Insurance Company. At the time of merger, the separate existence of Lamar Life Insurance Company ceased to exist. Dated 4/21/99.

Philadelphia Life Insurance Company merged into Conesco Life Insurance Company. At the time of merger, the separate existence of Philadelphia Life Insurance Company ceased to exist. Dated 4/21/99.

Great Northern Insured Annuity Corporation merged with and into General Electric Capital Assurance Company. Dated 2/15/99.

ReliaStar United Services Life Insurance Company merged into ReliaStar Life Insurance Company. Dated 1/22/99.

Southeast Medical Alliance, Inc., merged into SMA HMO, Inc. Dated 1/22/99.

Harmony Home Warranty Co., Inc., (unlicensed) merged into Virginia Surety Company, Inc. Dated 1/22/99.

ServicePlan of Ohio, Inc., merged into Virginia Surety Company, Inc. Dated 1/22/99.

ServicePlan of Virginia, Inc., merged into Virginia Surety Company, Inc. Dated 1/22/99.

Zurich Insurance Company assigned and transferred to Zurich American Insurance Company (surviving company), all business, assets and liabilities of Zurich American Insurance Company. Dated 1/22/99.

Lincoln Liberty Life Insurance Company merged into American Merchants Life Insurance Company. Dated 1/11/99.

First Delaware Insurance Company merged into American Merchants Life Insurance Company. Dated 1/14/99.

Kentucky Home Mutual Life Insurance Company merged into National Guardian Life Insurance Company. Dated 1/14/99.

Redomestications

Vulcan Life Insurance Company from Alabama to Indiana. Dated 4/21/99.

Liberty Bankers Life Insurance Company from Ohio to Wisconsin. Dated 4/9/99.

Universal Underwriters Insurance Company from Missouri to the Kansas. Dated 3/31/99.

Universal Underwriters Life Insurance Company from Missouri to Kansas. Dated 3/31/99.

Yosemite Insurance Company from California to Indiana. Dated 3/22/99.

United Life & Annuity Insurance Company from Louisiana to Texas. Dated 3/1/99.

Garrison Property and Casualty Association from Missouri to Texas. Dated 2/18/99.

American Alliance Insurance Company from Arizona to Ohio. Dated 1/11/99.

Single copies of the following publications are available free of charge at your request:

Ask Commissioner Brown -- The Commissioner's award-winning weekly question-and-answer-style column that appears in more than 30 newspapers around the state.

How to File and Insurance Complaint -- A step-by-step explanation of how to file a complaint with the Department of Insurance and what help you can expect once you have filed your complaint.

The Pocket Guide to Getting a Resident Insurance License -- A guide for those interested in becoming insurance agents licensed to sell in Louisiana.

Answers to Common Questions about Flood Insurance -- A timely guide for flood-prone Louisiana.

Buyer Beware -- A top 10 list of things you can do to stop insurance fraud.

Consumers' Guide to Auto and Home Insurance -- Shopping tips, policy terminology, discount information and easy-to-use worksheets make this booklet a consumer favorite.

Consumers' Guide to Health and Life Insurance -- Like the Auto/Home Guide, this booklet offers tips for finding the best policy at the lowest cost and articles on some of the latest life and health insurance trends.

Dos and Don'ts of Workers' Compensation -- The guidelines people should follow when they experience injury at their place of employment.

Hurricane Preparedness Guide -- An eight-page pamphlet that tells you how to prepare your home and family for Louisiana's major natural disaster. Remember: hurricanes affect inland as well as coastal residents.

Louisiana Insurance Fraud Investigator -- A special report on the fraud-fighting efforts of the Department.

Medicare Supplement Comparison Guide -- A booklet explaining the types of insurance policies that supplement Medicare.

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